Note 1: Summary of Significant Accounting Policies

Description of Reporting Entity
The National Mediation Board (NMB), established in 1934 under section 4 of the Railway Labor Act (RLA), is an independent U.S. federal government agency that performs a central role in facilitating harmonious labor-management relations within two of the nation's key transportation modes - the railroads and airlines. Recognizing the importance of these transportation industries to the public shippers, and consumers, as well as to the economy and security of the country, the RLA established NMB to promote four key statutory goals:

- The prompt and orderly resolution of disputes arising out of the negotiation of new or revised collective bargaining agreements;
- The avoidance of interruptions to interstate commerce;
- The protection of employee rights to self-organization; and
- The prompt and orderly resolution of disputes over the interpretation or application of existing agreements.

These financial statements include all activity related to NMB's appropriation (No. 95112400), the principal funding for all NMB activities.

NMB prepares its financial statements to be in conformity with generally accepted accounting principles.

NMB does not hold any non-entity assets and has no earmarked funds as described by the Government Accountability Office (GAO).

Budgets and Budgetary Accounting
Congress annually adopts a budget appropriation that provides NMB with authority to use funds from Treasury to meet operating and program expense requirements. NMB has single year budgetary authority and all unobligated amounts at year-end are expired. At the end of the fifth year all amounts not expended are canceled. All revenue received from other sources must be returned to the U.S. Treasury.

Basis of Accounting
NMB's financial statements are prepared under the accrual method of accounting. The accrual method of accounting requires recognition of the financial effects of transactions, events, and circumstances in the period(s) when those transactions, events, and circumstances occur, regardless of when cash is received or paid. NMB also uses budgetary accounting to facilitate compliance with legal constraints and to keep track of its budget authority at the various stages of execution, including allotment, obligation, and eventual outlay.

The Balance Sheet, Statement of Net Cost, Statement of Net Position, and Statement of Budgetary Resources have been prepared in accordance with generally accepted accounting principles.

Revenue and Other Financing Sources
NMB receives funds to support its programs through annual appropriations. These may be used to pay program and administrative expenses (primarily salaries and benefits, occupancy, travel, and contractual services costs).

Appropriations are recognized as financing sources at the time they are used to pay program or administrative expenses. Appropriations used to acquire property and equipment is recognized as financing sources when the assets are purchased.

NMB also earns revenue when it bills for copies of subscriptions. These subscriptions are for determinations on the cases NMB handles.

Fund Balances with the US Department of the Treasury
NMB does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by Treasury. The balance of funds with Treasury represents appropriated fund balances that are available to pay current liabilities and finance authorized purchase obligations relative to goods or services that have not been received.

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation. NMB capitalizes property and equipment purchases with a cost greater than $5,000, and a total useful life exceeding one year. Depreciation is calculated on a straight-line basis based on an estimated useful life of 5 years for all assets. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

When NMB enters into a lease agreement, as lessee, if the title of the asset transfers to NMB at the end of the lease or any of the other three capitalization criteria pursuant to SFFAS No. 6, Accounting for *Property, Plant, and Equipment*, are met, NMB capitalizes the lease at the present value of minimum lease payment and amortizes the cost over the economic useful life of the asset.

Liabilities
Liabilities represent the amount of monies or other resources that are likely to be paid by NMB as the result of a transaction or event that has already occurred. However, no liability can be paid by NMB absent an appropriation. Liabilities for which an appropriation has not been enacted are therefore classified as Liabilities Not Covered by Budgetary Resources and there is no certainty that the appropriations will be enacted. Also, liabilities of NMB arising from other than contracts can be abrogated by the government, acting in its sovereign capacity.

Regarding NMB's building lease, the General Services Administration (GSA) entered into a lease agreement for NMB's rental of building space. NMB pays GSA a standard level users charge for the annual rental. The standard level users charge approximates the commercial rental rates for similar properties.

Accrued Leave
Accrued payroll and benefits reflect salaries and benefits that have been earned, but not disbursed as of September 30, 2011.

Unfunded Annual Leave
Annual leave is accrued as a liability as it is earned. The accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current year pay rates. To the extent that the current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future appropriations. Sick leave and other types of non-vested leave are charged to expense as the leave is used.

Liabilities Not Covered By Budgetary Resources
These liabilities are not funded by direct budgetary authority. Liabilities not covered by budgetary resources result from the receipt of goods or services in the current or prior periods, or the occurrence of eligible events in the current or prior periods for which appropriations, revenues, or other financing sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings of the reporting entity. Liabilities not covered by budgetary resources as of September 30, 2011 and September 30, 2010 were:

	FY 2011	FY 2010
Unfunded Annual Leave	$ 413,336	$ 412,471
Contingent Arbitrators Liabilities	$ 542,520	$ 486,900

Net Position

Appropriated fund balance consists of the following components:

Unexpended appropriated capital - represents amounts of unavailable and available budget authority that are unobligated, or obligated but not expended. The obligated amount represents amounts for goods and/or services outstanding for which funds have been obligated, but the liabilities have not been accrued.

	FY 2011	FY 2010
Unobligated, available	$ 0	$ 0
Unobligated, unavailable	2,600,906	2,324,227
Undelivered Orders	1,115,888	935,456
Unexpended Appropriated Capital	**$ 3,716,794**	**$ 3,259,683**

Future funding requirements - represents the liabilities not covered by available budgetary resources.

Retirement Plan

NMB's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). Employees participating in CSRS contribute 7 percent of their gross pay to the plan, and NMB contributes 7 percent.

On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and are eligible for Social Security benefits. Employees hired prior to January 1, 1984, could elect either to transfer to the FERS plan and become eligible for Social Security benefits or remain in CSRS. A primary feature of FERS is that it offers a savings plan in which NMB automatically contributes 1 percent of employees' pay and matches any employee contribution up to an additional 4 percent of pay.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of CSRS and FERS is not allocated to individual departments and agencies and is therefore not disclosed by NMB. The reporting of these amounts is the responsibility of the Office of Personnel Management.

During fiscal years 2011 and 2010, NMB paid $70,803 and $82,795 for CSRS, and $464,031 and $406,059 for FERS, respectively for its employees' coverage.

Tax Status

NMB, as an independent Board of the executive branch, a federal agency, is not subject to federal, state, or local income taxes, and, accordingly, no provision for income tax is recorded.

Note 2: Fund Balances with Treasury

Fund balances with Treasury were entirely entity assets from appropriations and consisted of the following:

	FY 2011	FY 2010
Obligated	$ 2,094,871	$ 1,816.083
Unobligated Available	0	0
Unobligated Restricted	2,600,906	2,324,226
Fund Balance with Treasury	**$ 4,695,777**	**$ 4,140,309**

Note 3: Property and Equipment, Net

NMB uses straight-line depreciation with a useful life of 5 years and a capitalization threshold of $5,000. Property and equipment, and related accumulated depreciation, at September 30, 2011 and September 30, 2010 consisted of:

	FY 2011	FY 2010
Equipment-Capitalized	$ 93,553	$ 187,300
Capital Lease	182,353	160,959
	275,906	348,259
Less: Accumulated Depreciation	(101,339)	(139,904)
Total Property and Equipment, net	**$ 174,567**	**$ 208,355**

Note 4: Program/Operating Expenses

Although OMB Circular A-136 only requires that operating expenses be broken out by program and object classification if the principal statements may be misleading for FY 2011, NMB has chosen to display its operating expenses by object classification for FY 2011 and FY 2010 for a more clear presentation.

	FY 2011	FY 2010
Personnel Compensation	$ 7,188,686	$ 7,665,815
Personnel Benefits	1,496,094	1,490,352
Travel of Persons	627,539	626,323
Transportation of Things	1,422	5,902
Rent/Comm/Utilities	1,530,393	1,276,370
Printing	4,376	41,899
Other Services	1,457,584	1,007,180
Supplies	161,180	129,792
Equipment	118,885	338,820
Total	**$ 12,586,159**	**$ 12,582,452**

Note 5: Pensions, Other Retirement Benefits, and Other Post Retirement Benefits

The NMB reports the full cost of employee pensions, other retirement benefits, and other pos-temployment benefits in accordance with SFFAS No. 5, Accounting for Liabilities of the Federal Government. Although the NMB funds a portion of the benefits under FERS and CSRS relating to its employees and withholds the necessary payroll deductions, a portion of the Normal Pension Cost remains unpaid. SFFAS No. 5 requires the recognition of this remaining cost as imputed financing.

Pension and other retirement benefit expenses are calculated using cost factors determined by actuaries at the Office of Personnel Management. These cost factors are calculated based on economic and demographic assumptions. The cost factor is multiplied by the basic pay in order to obtain the "Normal Cost" for the accounting period. This Normal Cost is the present value of the projected benefits of each employee allocated on a level basis over the service of the employee between entry age and assumed exit age.

The imputed financing amount represents the difference between the employer's total pension expense and the employer's contribution. For the period ending September 30, 2011 the Normal Cost, employer's total pension expense, employer's contribution and imputed financing amounts were as follows:

Employee Type	Normal Cost	Employer's Total Pension Expense	Employer's Contribution	Employer's Imputed Financing Expense
CSRS	$ 312,344	$ 72,638	$ 72,638	$ 167,068
FERS	597,109	34,615	506,245	56,249
Total	$ 909,453	$ 107,253	$ 578,883	$ 223,317
Health Insurance				256,148
Life Insurance				1,073
Total				**257,221**
Grand Total Imputed Financing				**$ 480,538**

September 30, 2010

Employee Type	Normal Cost	Employer's Total Pension Expense	Employer's Contribution	Employer's Imputed Financing Expense
CSRS	$ 330,909	$ 76,956	$ 76,956	$ 176,998
FERS	531,249	30,797	431,159	69,293
Total	$ 862,159	$ 107,753	$ 508,115	$ 246,292
Health Insurance				239,193
Life Insurance				990
Total				**240,183**
Grand Total Imputed Financing				**$ 486,474**

Note 6: Obligated Balances, Net, End of Period as of September 30, 2011

The components of the obligated balance as of September 30, 2011 and September 30, 2010 are:

	FY 2011	FY 2010
Equipment-Capitalized	$ 1,115,888	$ 935,456
Capital Lease	978,983	880.627
Total Property and Equipment, net	**$ 2,094,871**	**$ 1,816,083**

Note 7: Statement of Financing

For the Year Ended September 30, 2011 and September 30, 2010

	2011	2010
Resources Used to Finance Activities		
Obligations Incurred	$ 12,827,444	$ 12,822,568
Less: Spending authority for offsetting collections and Recoveries of Prior Year Obligations	(0)	(90)
Imputed Financing (Note 5)	480,538	486,474
Total Budgetary Resources to Finance Activities	**$ 13,307,982**	**$ 13,308,952**
Less: Resources Not Used to Finance Net Cost of Operations		
Change in Amount of Goods, Services and Benefits ordered but not yet Received or Provided	$ 180,430	$ 373,132
Costs Capitalized on the Balance Sheet	72,353	211,096
Other	6,645	0
Total Resources Not Used to Finance Net Cost of Operations	**$ 259,428**	**$ 584,229**
Total Resources Used to Finance Net Cost of Operations	**$ 13,048,554**	**$ 12,724,722**
Costs that do not require Resources:		
Depreciation and Amortization	$ 55,181	$ 39,313
Change in Future Funded Liabilities	56,485	(378,925)
Revaluation of Assets and Liabilities	28,803	23,004
Total Costs that do not require Resources	**140,469**	**(316,607)**
Net Cost of Operations	**$ 13,189,023**	**$ 12,408,115**

Note 8: Accounting for Leases

Operating Leases
NMB occupies office space under a lease agreement with the General Services Administration (GSA) that is accounting for as an operating lease. The lease term was for a period of eleven years began on November 1, 2000 and expires on October 31, 2011. NMB pays GSA a standard level users charge for the annual rental adjusted annually for operating cost escalations in accordance with the provisions in the Federal Management Regulations. The operating rent and taxes was to be inflated by 0.76% from 2010 to 2011 to estimate the escalation that the market will yield. GSA is currently renewing a new lease.

Capital Leases
NMB entered into a capital lease on December 6, 2006 to lease a Xerox machine over a five-year period. The lease provide for ownership to transfer to NMB at the end of the lease period. The present value of the minimum lease payments of $6,555.84 annually at an interest rate of 9.5 percent was determined to be $25,215. The Capital Lease Asset is being depreciated on a straight line basis on 5 years. The Capital Lease Liability as of September 30, 2011 and 2009 was $0 and 5,987, respectively.

NMB entered into a capital lease on October 6, 2008 to lease a Xerox machine over a five-year period. The lease provide for ownership to transfer to NMB at the end of the lease period. The present value of the minimum lease payments of $1,671 annually at an interest rate of 9.5 percent was determined to be $6,415.23 for the second machine. The Capital Lease Asset is being depreciated on a straight line basis on 5 years. The Capital Lease Liability as of September 30, 2010 and 2009 was $2,919 and 4,192, respectively.

NMB entered into a capital lease on October 6, 2008 to lease a Xerox machine over a five-year period. The lease provide for ownership to transfer to NMB at the end of the lease period. The present value of the minimum lease payments of $7,033 annually at an interest rate of 9.5 percent was determined to be $27,006 for the last machine. The Capital Lease Asset is being depreciated on a straight line basis on 5 years. The Capital Lease Liability as of September 30, 2010 and 2009 was $12,289 and 17,646, respectively.

NMB entered into a capital lease on September 10, 2010 to lease a Xerox machine over a five-year period. The lease provide for ownership to transfer to NMB at the end of the lease period. The present value of the minimum lease payments of $25,807.20 annually at an interest rate of 8.25 percent was determined to be $102,365.28 for the machine. The Capital Lease Asset is being depreciated on a straight line basis on 5 years. The Capital Lease Liability as of September 30, 2011 and 2010 was $84,704 and 102,089, respectively.

NMB entered into a capital lease on September 27, 2010 to lease a Xerox machine over a five-year period. The lease provide for ownership to transfer to NMB at the end of the lease period. The present value of the minimum lease payments of $5,393.52 annually at an interest rate of 8.25 percent was determined to be $21,393.61 for the machine. The Capital Lease Asset is being depreciated on a straight line basis on 5 years. The Capital Lease Liability as of September 30, 2011 and 2010 was $17,765 and 21,393, respectively.

Note 9: Contingent Arbitrator Liabilities

By law, NMB is required to appoint an arbitrator if a grievance adjustment board cannot resolve a grievance. NMB appoints an arbitrator by approving the request from the Arbitrator to hear a specific case or a specified group of related cases and a work order setting out the daily rate of compensation, per diem, and travel costs. NMB's policy is to record an obligation at the beginning of each month when it approved an arbitrator's compensation request. Since such arbitrator services are considered nonseverable services, NMB record an estimated obligation amount for the service outstanding due to arbitrator appointments at the end of each fiscal year for financial reporting purposes. Using the caseload table on the website as of September 15, 2011, NMB had a total number of cases that have not been assigned to Arbitrators of 1,224. Based on our historical assumption the contingent liability is $542,520 which assumes an average of 1.5 days to decide the cases and an average of 122 days @ 300 to hear the cases.

Note 10: Apportionment Categories of Obligations Incurred

Obligations Incurred reported on the Statement of Budgetary Resources in 2011 and 2010consists of the following:

Direct Obligations	FY 2011	FY 2010
Category A	$ 12,769,920	$ 12,822,568
Category B	57,524	0
Total Obligations Incurred	**$ 12,827,444**	**$ 12,822,668**